

Message Text

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TO AMEMBASSY WARSAW

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E.O. 11652: NA

TAGS: BDIS, PL

SUBJECT: ASSISTANCE FOR ELWOOD CITY FORGE

1. REQUEST FOR ASSISTANCE RECEIVED FROM ROBERT BARENSFELD, PRESIDENT OF ELWOOD CITY FORGE CORPORATION AND HIS COUNSEL ROBERT VAN KIRK. SENATOR HUGH SCOTT'S OFFICE REQUESTED SUPPORT.

2. ELWOOD CITY F&RB FORGE CONTACTED 10 OCTOBER 1973 WITH METALEXPORT TO PURCHASE ONE LARGE HEAVY DUTY ENGINE LATHE MODEL THG-125/11 (11 METER) PRODUCED BY POREBA FACTORY, AT COST OF 245,000 DOLLARS ON WHICH COMPANY PLACED 20 PERCENT DEPOSIT ON SIGNING CONTRACT. LATHE WAS TO BE TESTED IN OCTOBER 1974 AND SHIPPED IN NOVEMBER FOR DELIVERY MID-DECEMBER 1974. LATHE HAS NOT BEEN DELIVERED TO DATE.

3. METALEXPORT HAS REPEATEDLY POSTPONED DELIVERY. DURING BARENSFELD'S JUNE VISIT TO FACTORY ALL COMPONENTS, INCLUDING G. E. CONTROLS, WERE SAID TO BE AVAILABLE AND COMPLETION OF MACHINE FOR TESTING ABOUT TO TAKE PLACE. SEPTEMBER 2 TELEX FROM METALEXPORT, HOWEVER, INFORMED

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THAT TESTING OF MACHINE NOW POSTPONED TO OCTOBER 1975.

COMPANY CAN NO LONGER STAND DELAYS WHICH ARE COSTING IT ORDERS AND PRODUCTION LOSS OF 50 TONS PER WEEK. CONCRETE BASE FOR 80 TON LATHE HAS BEEN IN PLACE IN FACTORY FOR OVER A YEAR. FIVE PERCENT MAXIMUM IN CONTRACT LIQUIDATED DAMAGE PROVISION FOR REDUCTION OF PRICE BY ONE-TENTH OF ONE PERCENT FOR EACH DAY OF DELAY BEHOND DELIVERY DATE, REACHED MONTHS AGO. COMPANY IS LOSING CONFIDENCE IN METAEXPORT'S PROMISES AND GOOD FAITH.

4. CONTRACT ALSO CONTAINED OPTION FOR ELWOOD TO PURCHASE SECOND MACHINE AT SAME PRICE. WHEN ELWOOD SOUGHT TO EXERCISE OPTION, METAEXPORT SAID IT COULDN#T SUPPLY AT THAT PRICE. ELWOOD NEVERTHELESS ORDERED SECOND LATHE AT OVER 300,000 DOLLARS, WHICH IS SCHEDULED FOR DELIVERY FIRST QUARTER 1976. COMPANY FEARS REPETITION OF DELAYS.

5. CONTACTS AT METAEXPORT HAVE BEEN DIRECTOR GENERAL ANDRZEJ DYSZY AND DEPUTY DIRECTORS HENNEL AND SZCZURKO WHO NEGOTIATED CONTRACT. CONTACTS AT POREBA FACTORY ARE DEPUTY DIRECTOR KUKULKA AND CHIEF ENGINEERS MR AND MRS. MIARZEJEWSKI. REFERENCE NUMBER ON POLISH CORRESPONDENCE 30-113/3-2212.

6. ACTION REQUESTED: INFORMATION AND EMBASSY EVALUATION OF TRUE STATE OF AFFAIRS, REASONS FOR DELAYS AND REALISTIC DELIVERY DATE APPRECIATED. ALSO ADVICE ON ACTION WHICH CAN BE TAKEN TO EXPEDITE DELIVERY. ROBINSON

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